

Need a Helping Hand with Adjudicated Properties?

BY CLIFF PALMER, EXECUTIVE DIRECTOR, LAMATS WITH WESLEY EBY JOHNSON, E & P CONSULTING, LLC

Recently, while assisting the City of St. Martinville, I met the attorney who's helping them process adjudicated properties. I'm excited about the city's prospects for getting a better handle on these challenges, so I'm sharing the following insight from my conversations with Wesley Eby Johnson, of E & P Consulting, LLC, whose company may be able to expand its assistance to other municipalities through a future LaMATS partnership.

Johnson described a few typical adjudication scenarios and various ways they might be addressed and solved through a hands-on problem-solving approach. She explained that the issues leading to adjudication are usually more complicated for the property-owner (not to mention for the municipality) than simply one of "cash flow," as often cited.

Here are the scenarios she outlined:

(1) The property owner has homestead exemption in the parish. He fails to pay a one-time city *ad valorem* tax bill that is placed on his property, and it goes to the city tax sale. The tax sale certificate is not purchased, and the property is adjudicated to the city. By the time the property owner realizes what has occurred, a \$35.00 fee has become a charge of over \$500. This did not originate as a cash flow problem: It was a communication problem that is now a cash flow problem.

(2) The property above is redeemed and the owner pays the \$500 bill to the city, but the redemption certificate is not filed in the courthouse. This means that the mortgage is not officially extinguished, and the property owner is left with a receipt, but nothing else, to demonstrate redemption. This situation is far more problematic when the tax certificate has been purchased by a third party (because the tax



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debtor usually realizes that the redemption has never been recorded *after* the redemption period has expired). Yet, if the property has been adjudicated to the political subdivision, there is time to unravel the situation without third party involvement. This situation is also not a cash flow problem; it is a personnel and/or internal management problem within the political subdivision.

(3) A property is adjudicated to the municipality and seven years have passed. An heir seeks to redeem the property. The tax collector refuses to allow the redemption, citing the Louisiana Constitution's three year right of redemption as the reason for the refusal. The heir walks away with his money, and the property remains on the adjudicated list. This occurs more often than one would think. However, the constitutional "right" of redemption in the Louisiana Constitution (La. Const. Art. VII, Sec. 25) should never be used to banish a piece of property to what is best referred to as "adjudicated property purgatory."

(4) The property owner has a homestead exemption in the parish. She dies without a will and no other real property of significant value. One adult child (the former caregiver) is living in the family home with two children. That child continues to maintain the home, but the property no longer has homestead exemption in the parish because the homeowner is not living in the home. A bank mortgage to pay the taxes is not possible, because ownership has not been transferred to the heirs. The property goes to tax sale, and the problem becomes more complicated and costly to correct. This situation, yet again, is not a "cash flow problem." It is a problem with education and knowledge of how to address heirs' property in the early stages, and in some situations, it is also a cooperation problem because the simplest solutions require cooperation by private parties that admittedly cannot be controlled by the municipality.

As Johnson states, "These are just a few examples of scenes that play out every day in our communities. They are almost always associated with the most problem properties, the ones apparently forgotten or in disarray, the abandoned and blighted. The best solutions require a collaborative effort that is often best coordinated by the company selling the adjudicated property."

We know these and similar issues are common challenges to all LMA members. We'll be speaking again with Wesley Eby Johnson and sharing more of her expertise in future articles. If you're interested in learning about developing or improving your process in the area of blight remediation, contact Cliff Palmer at cpalmer@lamats.net or (225) 344-5001.

